

State willing to pay 3.45 percent increase in CHIP premium

By MIKE DENNISON - IR State Bureau - 09/27/05

HELENA - Health officials said Monday the state is willing to pay a 3.45 percent increase in premiums for the program that provides health insurance to more than 11,000 kids in low-income families.

But that's much less than the nearly 12 percent increase proposed by private insurer Blue Cross/Blue Shield of Montana, which refused to budge during a negotiating session Monday on the Children's Health Insurance Program (CHIP) contract.

With four days remaining until the yearlong contract expires, the two sides agreed to meet again later this week.

CHIP is a publicly funded program that provides health coverage to kids whose families can't find affordable insurance elsewhere. It's open to families whose income is up to 150 percent of the federal poverty level, or \$29,000 for a family of four.

About 11,500 kids are on the program now; the state has a budget to increase the number of kids enrolled to nearly 14,000 this year.

Since the program's inception in 1999, the state has bought the medical insurance for CHIP through annual contracts with Blue Cross, paying a per-child premium.

Blue Cross wants to increase premiums this year by 11.9 percent, but state health officials said Monday that past experience of the program does not justify that increase.

If program costs follow trends from the previous two years, a 3.45 percent increase should be enough to cover costs for the next 12 months, said Jackie Forba, head of the state Health Care Resources Bureau.

She also noted that in previous years, Blue Cross has always had money left over from the contract, "and that's money that could have been used to cover kids."

"This has got to be a very close offer based on what it will actually cost," added John Chappuis, deputy director of the Department of Public Health and Human Services. "I'd hope you would strongly consider it."

Tanya Ask, vice president of government affairs for Blue Cross, said its data indicate that health-care insurance costs will increase 16 percent to 17 percent in the coming year.

Blue Cross is asking for a lesser increase for CHIP, because the program covers only children, who are healthier than the general population, she said.

State officials, however, said they felt that actual experience of the program should be the barometer for rates not national trends that include adults.

The state also may consider "self-insuring" the CHIP contract, rather than buying insurance from Blue Cross, but that option is at least several months down the road, Chappuis said.

For now, the state will continue to try to arrange a suitable contract with Blue Cross at a fair price, he said.

"The children that are covered (by CHIP) are foremost in our minds," he said. "We can't have a break in service for them. We won't let that happen."

Under a self-insured contract, the state would accept the risk for children covered by CHIP and hire a "third-party administrator" to process the claims and arrange the network of doctors and other health-care providers.

Under the contract with Blue Cross, the company accepts the risk for coverage and charges the state a premium, based on the number of kids covered.

In past years, Blue Cross has kept as much as 23 percent of the premium for overhead, including administrative costs and reserves.

The company last year agreed to return part of those reserve funds to the state in the form of a credit, which was used to pay future premiums.

The 2005 Legislature also passed a law that limited Blue Cross overhead to 12 percent of the premium charged. Its overhead cost for the current year is estimated at 13.65 percent, the company said.